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NOTES.

MESSRS. MACMILLAN AND COMPANY announce among their spring publications a *Life of Adam Smith*, by John Rae. The recent revival of interest in the life and works of Adam Smith, stimulated in part by the Economic Club of London, besides having occasioned the preparation of a *Catalogue* of Smith's library by Mr. Bonar and the forthcoming volume by Mr. Rae, is likely to lead, it may be expected, to further results.

AMONG the surprises of economic literature is the fate that has overtaken Karl Marx's theory of surplus-value in the third volume of his *Kapital*, lately published. Advocates, expositors and critics of the Marxian economics have exercised their ingenuity in futile attempts to reconcile that theory with obvious facts, while its author has put them off with the assurance that the whole mystery would be explained and made right in the Third Book of his work. In the mean time the Marxian dogma of surplus-value has served the present generation of "scientific" socialists as their fundamental "scientific" principle and the keynote of their criticism of existing industrial relations, and its acceptance (on faith) by the body of socialists, avowed and unavowed, has contributed not a little to the viciousness of their attack on the existing order of things. And now, after the theory, accepted literally and with full naïveté, has done service for a generation as the most redoubted engine of the socialist propaganda, the "Third Book" comes along and explains with great elaboration, in the course of some 200 pages, that the whole of that jaunty structure is to be understood in a Pickwickian sense. It appears now that the need which has been felt for some reconciliation of this theory of the rate of surplus-value with the everyday facts of the rate of profits is due simply to a crude and gratuitous misapplication of the Marxian doctrine of surplus-value to a question with which it has nothing to do. That theory has none but the most remote and intangible relation to any concrete facts. The full extent of the relation between "surplus-value" and "profits" is this (and even this suffers material qualification in the course of the discussion), that the aggregate profits in any industrial community at any

given time may also be styled "aggregate surplus-value." The rate of surplus-value bears no tangible relation to the rate of profits. The two vary quite independently of one another. Nor does the aggregate profits in any concrete case, in any given industry or enterprise, depend on or coincide in magnitude with the aggregate surplus-value produced in that industry or enterprise. For all useful purposes the entire surplus-value theory is virtually avowed to be meaningless lumber.

THE recent episode of the exhaustion of gold in the treasury created great alarm at home and abroad; and it must be confessed there was some reason. Had it not been for the prompt action of the President, and his assurances for the future, as to procuring gold, we should have been already on the silver basis. But the situation is not wholly discouraging. It is true that by negative processes the silver party could bring us to a silver standard; it is unnecessary to pass a free-coinage measure to bring in the cheaper metal, if it can be made impossible, without legislation, for the treasury to maintain payments in gold. The present parity between the two metals would instantly disappear when only silver was obtainable from the treasury. Inasmuch as gold is no longer supplied to the government—and has not been since 1890, with short exceptions—by the usual processes of payment for customs duties, it must be provided in other ways. In no other way could it be obtained than by borrowing.

It is to be understood, however, that the treasury was not deficient in funds of all kinds when its gold ran down to \$42,000,000, for its available balance was \$100,000,000 more than that. It was not in the main a question of the amount of the balance, but a question of the composition of that balance. If creditors of the United States were to have a choice between receiving gold and silver, gold must be kept on hand to meet the possible demand. The strategy of the silver party, therefore, was to encourage the movements tending to deplete the gold, and to prevent, if possible, any action to obtain new supplies of gold.

THE effect on the gold reserve of the deficit in the revenues was indirect. When expenditures were greater than income, so long as expenditures necessarily meant payment in gold, and so long as the supply of gold did not, as formerly, come by income, the situation was aggravated. And just so long as the treasury determined to give gold

to any comer who asked it—that is, maintain the parity of the two metals—it followed that that part of the balance which was not composed of gold was, to all intents and purposes, practically useless. Had the treasury forced on the public its non-gold balance, that moment the end would have come. Consequently, for all payments the only available balance was the gold balance, and the excess of expenditures made a greater demand on a lessening fund.

MOREOVER, the contention that by issuing bonds for gold the government was borrowing to fill up its deficit would apply equally well to the reissue of “greenbacks” for which gold had once been paid out. When a note was redeemed, one form of the government’s promise to pay was paid off, and should have been canceled. But when such a note was again reissued, it was just as distinctly an act of borrowing as when a bond was issued. Only in this case of borrowing gold was not usually obtained. The peculiarity of the reissue of “greenbacks” lies in the fact of putting out an obligation of the government for whose redemption gold can be asked on demand on the refusal of which the country’s credit was staked. Such would not be the case when the treasury was able to work off “current funds”—*i. e.*, the non-gold part of the balance—in payment of its expenses. By the reissue of greenbacks the victim at the target virtually picks up the arrow shot at him and hands it back to the archer with the request that it be aimed at him again.

OBSERVERS of contemporary politics have frequently had their attention drawn to the anomalous character of the legislation of the Australian colonies. Whatever conservative influences may have determined the course of English legislation at home, in the colonies the radical element of modern industrial democracy has had comparatively free swing. Within the past few years the pressure of financial embarrassment has caused the spirit of discontent to take the form of demands for fiscal reform. New Zealand led the way by the passage of The Land and Income Assessment Act in 1891. Since then the remaining colonies have one after another been falling into line, until today Australia is fairly threatened with an inundation of changes, many of them quite subversive in character, in the methods of taxation. New taxation projects are at present pending before the parliaments of Victoria, Tas-

mania, New South Wales and South Australia. These projects embody the ideas of the most radical school of modern financial theorists, besides bearing evidence of a strong infusion of Henry Georgism. Characteristic features of the new reforms are: the adoption of progressive rates with reference to both income and property; the discrimination, in the treatment of income, between that which is the result of personal exertion and that which is derived from property; the exemption of improvements from taxation, or the taxation of the unimproved value of land; the treatment of the mortgage as a proprietary interest in the land; and, lastly, the heavy discrimination against absentee owners. The animus of these proposals is unmistakable; they are, for the most part, simply an echo of the dominant note of agrarian discontent. And in the methods adopted there is a strange mixing of distinct and incompatible purposes which is likely to give rise to unexpected consequences and new difficulties.

We reprint here for the benefit of our readers, from the London *Economist* of January 12, 1895, a copy of a resolution introduced by the Government in Victoria, November 7, 1894. The reforms here proposed are typical of the whole class of recent taxation projects in Australasia.

There shall in every year be charged, levied and collected by, and paid to, and for the use of Her Majesty, her heirs and successors, the several taxes hereinafter specified, that is to say:—

A.

Tax on the Unimproved Value of Land.

For every pound sterling of the unimproved value of land a tax of 1d.

Where the unimproved value of any person's land does not exceed £1000 such unimproved value shall, as regards the owner, only be liable to a deduction of £100. Only one deduction to be made in respect of one owner.

NOTES.—If any land subject to the tax is mortgaged, then the owner and the mortgagee thereof shall respectively be liable to pay such tax in proportion to the value of their several interests in such land. The mortgagee's interest is determined by the proportion which the amount secured by the mortgage bears to the total actual value of the land, that is, including improvements.

If any land is not mortgaged, then the owner is to pay the whole amount of the tax.

B.

Tax on Land of Absentees.

In the case of any owner of land who has been an absentee from Australasia for a period of three years or over that period prior to the 31st December in any year the rate of taxation shall be increased by 20 per cent. in each case where it is applicable.

C.

Tax on Income from Personal Exertion.

On all incomes over £200 derived from personal exertion, a tax —

At the rate of 3d for every £1 sterling of the taxable amount thereof up to £1200; and

At the rate of 4½d for every £1 sterling of the taxable amount thereof over £1200 and up to £2200; and

At the rate of 6d for every £1 sterling of the taxable amount thereof over £2200.

D.

Tax on Income the Produce of Property.

On all incomes over £200 the produce of property, a tax —

At the rate of 6d for every £1 sterling of the taxable amount thereof up to £1200; and

At the rate of 9d for every £1 sterling of the taxable amount thereof over £1200 and up to £2200; and

At the rate of 1s for every £1 sterling of the taxable amount thereof over £2200.

Where a person is liable to pay tax on income from personal exertion and also from property he shall be entitled to one deduction only up to £200 as aforesaid.

NOTES.—This tax is not payable by any owner of land in respect of income from the land if he is otherwise charged in respect of such land under these resolutions.

A mortgagee is chargeable with this tax, but will receive credit for whatever land tax he pays as mortgagee in respect of the unimproved value of the land.

All these taxes to be subject to exemptions to be set out in Bill.

BELGIAN MONETARY LEGISLATION.

THE reason for the continued existence of the monetary league known as the Latin Union is not generally understood. Among the countries composing the Union it is an undisguised fact that the difficulties which would result from a dissolution of it are the only valid reasons for a perpetuation of the connection. This is due to the fact that by the treaty of 1885, which is still in full force, the redemption by every country of its own coin was made a fundamental prerequisite to separation from the Union.¹ Although these difficulties would be present in a greater or less degree to all the countries included in the Union except France, they would be particularly great in the case of Belgium. Belgium is in many respects subject to peculiar conditions. The key to an understanding of these is furnished by her monetary history

¹ Cf. *Conférence Monétaire entre la Belgique, la France, l'Italie, la Suisse, et la Grèce, Procès-Verbaux*, 1885, for treaty and arrangements.